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Repeat Offender Shipping Firm Sentenced in New Orleans to Pay \$ 1 Million and Banned in “Magic Pipe” Case

WASHINGTON – Four corporations involved in owning and operating a fleet of vessels regularly visiting New Orleans were today sentenced to pay a \$1 million penalty and banned from doing business in the United States for the next five years by Judge Carl J. Barbier, the Justice Department announced.

Stanships Inc. (Marshall Islands), Stanships Inc. (New York), Standard Shipping Inc. and Calmore Maritime Ltd., collectively the owners and operator of the M/V Americana, a Panamanian registered cargo vessel, each pleaded guilty on April 12, 2011, in New Orleans to 32 felony counts for violations of the Act to Prevent Pollution from Ships, Ports and Waterways Safety Act and obstruction of justice.

As part of the sentence, the court prohibited the shipping conglomerate from conducting further business in the United States during the maximum five year period of probation. The owner of the companies was also personally banned from being involved in the ownership or technical management of ships trading in the United States. Of the \$1 million penalty, Judge Barbier ordered that \$250,000 be devoted to organizational community service to help conservation, protection, restoration and management projects to benefit fish and wildlife habitats and resources in the Eastern District of Louisiana.

The government’s investigation of the M/V Americana started when a crew member told the U.S. Coast Guard during an inspection of the ship on Nov. 29, 2010, that the ship was illegally dumping sludge and oily waste overboard using a so-called “magic pipe” to bypass required pollution prevention equipment. The crew member provided the Coast Guard with cell phone photos taken at sea showing the use of the bypass. According to an agreed upon factual statement filed in court, the defendants have admitted the following:

Sludge and oily waste from the vessel’s engines was transferred to a fuel tank and then deliberately pumped overboard.

The ship had an unreported leak between a ballast and fuel tank that led to overboard discharges of oil contaminated waste from both tanks.

A black “comet streak” stain of apparent oil was visible on the outside of the ship in the immediate vicinity of the overboard valve when the ship was in New Orleans in December 2010.

The metal bypass pipe used to dump oily waste overboard was hidden from view when the ship was in port.

A false Oil Record Book was created to conceal the illegal discharges. Ships are required to keep an Oil Record Book in which internal transfers and overboard discharges are fully recorded. The log is regularly inspected by the Coast Guard to assure compliance with U.S. and international law and to make sure ships are not a threat to U.S. ports and waters.

The defendants also were charged with violating the Ports and Waterways Safety Act because they failed to report a hazardous situation that threatened U.S. ports and waters, involving the failure of the ship's generators. After a voyage in which the ship had lost power for several days at sea, the ship arrived at the Southwest Pass, La. The master, who opposed proceeding to port until the problem was corrected, was directed by a shore-side manager to write an email indicating that the ship had two generators. This was communicated to the Coast Guard which then allowed the ship to enter the Mississippi River. However, the agency was not told that neither of the two generators was fully operational or able to power the ship, and that there was no backup since a third generator was completely inoperable. Because of the hazardous situation, the master ordered tug boats to guide the ship into port.

Stanships Inc. (Marshall Islands) is a repeat offender. It committed new crimes after it was sentenced on Sep. 29, 2010, for deliberate discharges in U.S. waters and concealing illegal pollution in falsified ship records from the M/V Doric Glory. In that case, U.S. District Judge Helen G. Berrigan of the Eastern District of Louisiana ordered the defendant to implement a comprehensive environmental compliance plan and pay \$700,000 in criminal fines and an additional \$125,000 as community service payments. On April 27, 2011, Judge Berrigan revoked probation for Stanships Inc. (Marshall Islands) and banned the company's vessels from further trade in the United States.

"The crimes of Stanships, a repeat offender, warrant the sanction that it be banned from conducting further business in America," said Ignacia S. Moreno, Assistant Attorney General for the Environment and Natural Resources Division of the Department of Justice. "This prosecution sends the message that deliberate violations of environmental laws will not be tolerated."

"Deliberate pollution and intentional falsification of environmental records are serious crimes. This case was also significant because the misconduct took unacceptable risks with Louisiana's ports and waters, as well as the safety of the ship. Prosecutions such as this are designed to protect the future of our water, rivers, and wetlands and to ensure that the regulated community is truthful with the Coast Guard." said Jim Letten, U.S. Attorney for the Eastern District of Louisiana.

"Today's sentence demonstrates the United States' steadfast commitment to safeguarding the marine environment. We applaud the efforts of the many environmentally responsible companies, but will hold non-compliant corporations and their officers accountable for violating environmental laws. I am grateful for the hard work and dedication of the Coast Guard investigators and Department of Justice for bringing this case to proper resolution," said Rear Adm. Roy A. Nash, Eighth District Coast Guard commander."

“Protection of our aquatic resources continues to be of utmost importance to the Coast Guard. This sentencing should send a message that repeat offenders will be investigated and prosecuted to the fullest,” said Special Agent in Charge Damon Rodriguez, Coast Guard Investigative Service, Gulf Region.

“Today’s action demonstrates that neither the government nor the public will tolerate the flagrant and repeated violation of U.S. laws,” said Ivan J. Vikin, Special Agent in Charge of EPA’s criminal enforcement program in Louisiana. “The government contends that the defendant not only failed to carry out the terms of its probation, it knowingly released oil into our oceans after the sentence was passed. The oceans must be protected from shipping companies that look to cut corners by dumping waste improperly.”

This case was investigated by the U.S. Coast Guard Criminal Investigative Services and the EPA Criminal Investigation Division, with assistance from Sector New Orleans, Eight Coast Guard District Office of the Judge Advocate. The case was prosecuted by Assistant U.S. Attorneys Emily K. Greenfield and Dorothy Manning Taylor, and Senior Trial Attorney Richard A. Udell of the Environmental Crimes Section of Department of Justice Environment and Natural Resources Division.